



## **The Turnaround Agenda**

*Empowering Voters & More Local Control*

- Conflicts of interest have spread throughout Illinois government. Special interest groups have come to control Springfield, running it for their own benefit and pushing many local governments to near bankruptcy.
- Government union leaders are funding politicians who negotiate their pay and benefits; healthcare agencies are funding politicians who structure Medicaid; trial lawyers are funding judges who hear their cases.
- Special interests have taken away power from the voters, forcing unfunded mandates, unaffordable pension regulations and too many layers of government onto taxpayers, and filling the workers compensation system with fraud and abuse.
- Taxes are rising, businesses are leaving and schools are deteriorating.
- We must empower local voters to turn our state around.
- Local voters should be able to vote on and control property tax increases.
- Local voters should decide what issues can be collectively bargained in their county and municipal governments.
- Local voters should decide pension and health benefits for their local governments.
- Local voters should decide what issues should be subject to collective bargaining in their schools and whether teachers should be forced to pay partial or full union dues as a condition of being allowed to teach.
- Local voters should decide whether their businesses should be subject to forced unionism or employee choice.
- Decisions of voters in one county or municipality should not be forced upon voters in other parts of the state. The voters of Illinois should be empowered to control their own destiny on taxes, schools and jobs.
- The state shouldn't impose costly mandates on local governments that drive up costs. Prevailing wage requirements and project labor agreements block true competitive bidding in government construction projects and drive up taxpayer costs 20% or more.
- Voters should be empowered to decide term limits on their elected officials.
- With voter empowerment, Illinois can become a great state, a competitive, compassionate state again.
- These reforms are reasonable, common-sense, and bi-partisan. Many states have implemented variations of them. Twenty-nine states and the federal government do not allow government union collection of "fair share" dues and have put some restrictions on collective bargaining. Even President Franklin Roosevelt supported this.
- The states with dominant government unions (IL, NJ, CT, CA etc.) have the largest chronically unfunded pensions, debt and deficits. Most have installed high income taxes to try to deal with their recurring budget problems; but that has failed to fix their chronic deficits because the structure, the underlying conflict-of-interest in government union power, has not been addressed.



## 1. **Economic Growth and Jobs Package**

- Pass a phased-in minimum wage increase of 25 cents every year for seven years.
- Implement true workers' compensation reform legislation that updates how injuries are apportioned to ensure employers pay for injuries that occur on the job; clarifies the definition of "traveling employees" to ensure a reasonable standard that excludes risks that would impact the general public; and implements American Medical Association guidelines when determining impairment.
- Enact lawsuit reforms to prevent unreasonable trial lawyer venue shopping, address unfair joint and several liability requirements and provide a balanced approach to medical malpractice cases to keep doctors in Illinois.
- Pass a constitutional amendment to cap unreasonable judgments (2018 ballot).
- Make Illinois unemployment insurance fair for beneficiaries and employers, including legislation that cracks down on benefit fraud for those who voluntarily leave employment but receive benefits and provides a more fair definition of misconduct in the workplace.
- Implement true competitive bidding in public works projects, limit prevailing wage requirements and eliminate project-labor agreements.
- Restructure the motor fuel tax to appropriately invest in infrastructure.
- Create local employee empowerment zones. Let voters in a county, municipality or other local unit of government decide via referendum whether or not business employees should be forced to join a union or pay dues as a condition of employment.
- Create a Minority Enterprise Small Business Investment Program to assist minority entrepreneurs in startups throughout Illinois.
- Require unions that contract with the state to have their apprenticeship programs reflect the demographics of Illinois communities, and to have their membership on public construction projects reflect the diversity in the surrounding area.

## 2. **Student and Career Success Package**

- Increase state support for pre-K-12 education, especially for low-income families.
- Expand access to high-quality early childhood education and make programs easier to navigate for families.
- Consolidate and refocus all state boards, agencies and programs to manage an integrated comprehensive cradle-to-career statewide system of education and vocational training.
- Launch an effort to increase parent participation in the classroom.
- Initiate statewide task force to analyze the challenges of teenage pregnancy and loss of two-parent families.
- Give local school boards the ability to modify overly burdensome unfunded mandates.
- Lift the arbitrary cap on public charter schools, reduce funding disparities for public charters and provide more high-quality educational options to students through tax credit scholarships.
- Reform teacher tenure and incentivize local school districts to reward high-performing administrators and educators.
- Improve teacher recruitment, ensure a diverse educator base and streamline licensure requirements to bring the best and brightest teachers to Illinois.
- Eliminate unnecessary testing and institute a rigorous K-12 student growth measure, using ACT and other national metrics.
- Expand vocational and technical program resources and grow partnerships among employers, high schools and community colleges.



### 3. **Taxpayer Empowerment and Government Reform Package**

- Make income taxes low and competitive with other states.
- Freeze property taxes for two years by amending Illinois' Property Tax Extension Limitation Law. The total property tax extension could not increase above the 2015 levy year, except for new construction or property in a TIF district. Voters would still be allowed to override the freeze via referendum.
- Modernize the sales tax to include service taxes that keep us competitive with neighboring states.
- Preserve a fair and flat income tax by protecting low-income families with an increase in the Earned Income Tax Credit, and provide additional exemption relief to working families.
- Launch a government consolidation and unfunded mandate taskforce chaired by Lt. Governor Sanguinetti to reduce the number of Illinois' 7,000 units of government and provide more flexibility to local communities.
- Extend to municipalities bankruptcy protections to help turn around struggling communities.
- Pass a constitutional amendment implementing 8-year term limits for statewide elected officials and members of the General Assembly.
- Protect historically accrued state pension benefits for retirees and current workers, while moving all current workers into the Tier 2 pension plan and/or a 401(k) for their future work. Police and firefighters should receive separate special consideration.
- Pursue permanent pension relief through a constitutional amendment.
- Codify Executive Order 15-09 prohibiting the revolving door from state government to lobbying and extend revolving door restrictions to the General Assembly.
- Empower government employees to decide for themselves whether or not to join a union.
- Empower local voters to control collective bargaining issues in their local governments and take more direct responsibility for their employees' benefits.
- Extend the prohibition on political contributions for businesses with state contracts to all organizations with a state collective bargaining agreement and organizations funded by entities receiving state Medicaid funds.
- Prohibit trial lawyer donations to elected judges to address conflicts of interest in the courts.
- Pass a constitutional amendment to create merit-based judicial selection as supported by the American Bar Association (2018 ballot).
- Reward state workers with performance pay and incentivize employee-inspired cost-saving measures.
- Pass a constitutional amendment merging the offices of Comptroller and Treasurer and return \$12 million in annual savings to taxpayers.
- Require more vigorous enforcement of minority contracting guidelines and hiring in state government.
- Pass a binding Balanced Budget Amendment to the Illinois Constitution that prohibits the carry-over of past-due bills (2018 ballot).
- Reform the criminal code to ensure sentences are commensurate with the severity of the crime, and reduce penalties for non-violent offenses.
- Launch a bipartisan Criminal Justice Reform Commission with a goal to improve public safety and reduce prison population by 25 percent in 10 years.
- Provide additional investment in community-based reentry and diversion programs for persons reentering the community.
- Increase correctional officer staffing to improve officer and inmate safety.

## **WSJ: Rauner's Illinois Revival Project**

*The new Governor targets the corrupt union-political bargain.*

Bruce Rauner has the biggest reclamation project in American politics, and this year it's the state drama to watch. The first Illinois GOP Governor in 12 years is off to a strong start by targeting the source of the state's fiscal and economic rot: the corrupt political bargain between state lawmakers and public unions.

On Monday Mr. Rauner signed an executive order ending mandatory union fees for state workers who don't want to join a union or support its agenda. He declared that Illinois's contracts with public unions, including the American Federation of State, County and Municipal Employees (Afsme), violate the First Amendment by forcing workers to associate with the union against their will.

The same logic guided the U.S. Supreme Court's 2014 decision in *Harris v. Quinn* that a mother who accepted a state subsidy for providing home care to her disabled child could not be forced to join a union. In *Harris* the Justices stopped short of ruling on what Justice Samuel Alito called the "full-fledged" public employees who are forced to pay dues under the Supreme Court's decision in 1977's *Abood v. Detroit Board of Education*.

But the Justices cast doubt on the precedent, noting its "questionable foundation." Compulsory union fees are especially problematic, the Court wrote, because "in the public sector, both collective-bargaining and political advocacy and lobbying are directed at the government."

Now Mr. Rauner's team plans to take that logic to federal court in a lawsuit against Afsme and other government unions seeking to overturn *Abood*. The First Amendment protects the freedom of speech and association, so Mr. Rauner will argue that a public worker who opts out of a union can't be forced to financially support the union.

The government unions that have dominated Illinois politics for decades aren't amused. Afsme Council 31 executive director Roberta Lynch called the order an illegal "scheme to strip the rights of state workers and weaken their unions." Chicago Teachers Union President Karen Lewis called Mr. Rauner "Scott Walker on steroids."

Mr. Rauner will need to be as tough as Mr. Walker because Illinois faces a ballooning fiscal mess. The Governor's budget office estimates the state had a \$5.8 billion backlog of unpaid bills at the end of 2014, and the current fiscal year could add another \$1 billion to the operating deficit.

Mr. Rauner is making his pitch around the state with slides that show the Land of Lincoln is the Midwest's economic laggard. According to the Bureau of Labor Statistics, from 2003 to 2014 Illinois had 0.2% employment growth, compared to 3.8% in Indiana, 8% in Iowa and 7.3% nationwide. Net Illinois job growth was 10,300 compared to 109,000 in Indiana and 115,900 in Iowa. Chief Executive magazine ranks Illinois the 48th for doing business, the Small Business and Entrepreneurship Council ranks it 35th, and the Tax Foundation puts its business tax climate at 31st.

Central to the mess is the rising bill for state pensions and salaries, and the constant union demands for higher taxes for pay for them. Compensation costs for state employees make up about one third of the state budget, with an astonishing 25% of current state tax dollars going to fund retiree benefits and an \$111 billion unfunded pension liability.

Mr. Rauner campaigned on a plan to reform pensions by keeping current retirees in the old system while moving current workers into a 401(k)-type model. In a memo to lawmakers last week, the Governor suggested the state could consider something like the federal model, which switched in the 1980s from a defined-benefit plan to a 401(k) and Social Security model without a defined benefit.

The current system is unsustainable, but so far it has been unreformable thanks to the ties between legislators and public unions. According to the Illinois Policy Institute based on data from the state Board of Elections, between 2002 and 2014 86% of state lawmakers received campaign cash from government unions. House Speaker Michael Madigan received more than \$1 million.

Reducing this union stranglehold on policy is essential to turning the state around, and Mr. Rauner is thinking creatively. The Democrats who have a supermajority in the state legislature won't make Illinois a right-to-work state. But Mr. Rauner is trying a work-around by encouraging areas in the state known as "home rule" communities (so-called because they are allowed to opt out of certain state regulations) to become right-to-work zones.

That idea will have particular appeal for downstate manufacturing towns and those along the border that have been losing to neighboring Iowa and Indiana, both right-to-work states. Afsme's state contract expires on June 30, and the renegotiation will be another chance for reform.

The sages of Springfield are saying that Mr. Rauner can't win and so would be smarter to go along with a tax increase in return for small pensions reforms. But that won't solve the state's problems and would mark the Governor instantly as a lame duck. Mr. Rauner carried 20 state House and 10 Senate districts that are represented by Democrats. If he can break the union monopoly on Springfield, his Illinois revival has a chance.

## Gov. Bruce Rauner is out to emancipate Illinois

*By: George Will*

The most portentous election of 2014, which gave the worst-governed state its first Republican governor in 12 years, has initiated this century's most intriguing political experiment. Illinois has favored Democratic presidential candidates by an average of 16 points in the past six elections. But by electing businessman Bruce Rauner, it initiated a process that might dismantle a form of governance that afflicts many states and municipalities.

Rauner, 58, won his first elective office by promising to change Illinois's political culture of one-party rule by entrenched politicians subservient to public-sector unions. This culture's consequences include:

After more than a dozen credit-rating downgrades in five years, Illinois has the lowest rating among the states. Unfunded public employees' pension liabilities are estimated, perhaps conservatively, at \$111 billion, the nation's largest such deficit as a percentage of state revenue. Currently, public pensions consume nearly 25 percent of general state revenues. Debt per resident is about \$24,989, compared with \$7,094 in neighboring Indiana.

Four of the previous nine governors went to prison, so, Rauner says, "people know we've had bad people in charge." Bad but routine practices are astonishing. Some legislators practice law, specializing in real estate tax appeals: They are paid a portion of what they save clients by reducing the clients' bills under the laws the legislators have written.

Rauner says previous governors from both parties have been complicit in the unionization of about 93 percent of government employees.

Unionization began during the 14 years (1977-1991) of Republican Gov. Jim Thompson. Gov. Rod Blagojevich (D), now an inmate, instituted "card- check" unionization. Rauner says union organizers would tell individuals: Sign the card or else — we know where your wife works and your children go to school.

Rauner is a tall, confident, relaxed man with a powerful voice and a plan to break "a totally rigged system." The plan includes structural reforms necessary to enable lasting policy reforms.

By executive order, Rauner has stopped the government from collecting "fair share" fees for unions from state employees who reject joining a union. This, he says, violates First Amendment principles by compelling people to subsidize speech with which they disagree.

The unions might regret challenging this in federal court: If the case reaches the Supreme Court and it overturns the 1977 decision that upheld "fair shares," this would end the practice nationwide.

Rauner hopes to ban, as some states do, public employees unions from making political contributions, whereby they elect the employers with whom they negotiate their compensation. Rauner also hopes to enable counties and local jurisdictions to adopt right-to-work laws, thereby attracting businesses that will locate only where there are such laws.

He hopes the legislature will empower voters to ratify changes to the state constitutional provision that says public pensions can never be "diminished or impaired." He also proposes shifting state employees from unaffordable defined-benefit plans to a more affordable plan for the state. Furthermore, he hopes to end practices that now have more than 11,000 retirees receiving six-figure pensions.

Another 2016 referendum would impose term limits on state legislators, ending the careerism on which the corrupt system depends. This would rile Democrat Michael Madigan, who was elected to the legislature in 1970 and has been speaker of the House for all but two years since 1983. But Madigan might want the state's crisis tamed in case his daughter Lisa, currently Illinois's attorney general, chooses to run for governor.

Democrats have veto-proof majorities in both houses of the legislature, and redistricting has entrenched incumbents. Democrats do, however, fear being challenged in primaries by unions punishing anyone disobedient. A question is whether reform-minded Democratic donors might protect Democrats.

By allowing a temporary tax increase to actually be temporary — to lapse — Rauner increased his leverage with the legislature, which lusts for revenue not swallowed by pensions.

An Illinois governor (Adlai Stevenson) once said, "Cleanliness is next to godliness, except in the Illinois legislature, where it is next to impossible."

If Rauner emancipates Illinois from government organized through its employees unions as an interest group that lobbies itself for perpetual growth, so can other states. And the nation.

## *The Labor-Electoral Complex*

Excerpts from Michael Bloomberg's Final Major Address as New York City Mayor  
December 18, 2013

... Our children's future should never be sacrificed for our own benefit. That's a simple idea – but in politics, it's an awfully tough sell. People want benefits from their government – and they want them now...

That's natural – and it's the government's job to deliver them, and to find innovative new ways to tackle the toughest problems and improve life for people today. But at the same time, it's also government's job to improve life for people tomorrow – including for the children who are too young to vote and the children who have yet to be born.

Those of us in government work for them, too – and it's our job to think about their needs 20, 30, 40 and even 100 years from now. That involves looking ahead, identifying barriers to progress, and taking action....

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...[O]ur country appears to be in the early stages of a growing fiscal crisis that – if nothing is done – will extract a terrible toll on the next generation. Here in New York City, over the past 12 years our pension costs have gone from \$1.5 billion to \$8.2 billion. That's almost a 500 percent increase – when inflation totaled only 35 percent.

The seven billion dollars additional that taxpayers are forced to spend on pensions every year is seven billion dollars more that cannot be invested in our schools and our parks and our social safety net, or our mass transit system, or our climate resiliency work, or our affordable housing efforts, or our tax-relief for working families.

For many years, we have tried to convince public sector labor leaders to modernize our pension and health care systems to bring down costs, and I will say we have had very little success.

In fact, the labor leaders have sued the City to stop us from putting out just a solicitation to redesign health benefits, which would dramatically reduce costs and improve care for our employees and their families...

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... [W]e supported Governor's Cuomo push to create a new tier for new employees, which will produce some savings. But that only slows future growth.

Keep in mind: Pensions and health care costs have become a major percentage of the overall compensation we provide to our workforce. In fact, the pension and health care benefits we pay for uniformed workers amount to more than 100 percent of their salaries, and they are a very large percentage of salaries for our overall workforce...

...[R]ight now, right now, we offer benefits that are over and above what the market offers, and what other governments offer. And those costs continue to grow, and as they do it limits our ability to increase base salaries.

For example: The private market has basically stopped offering defined benefit pensions – and yet in New York City, labor leaders have opposed any effort to give their members even the choice of a defined contribution plan.

Employees who work for the City University of New York have that choice – and incidentally three-quarters of them choose the defined-contribution plan because it is more flexible and portable. Why shouldn't New York City employees have the same choice?

It's the kind of questions that more and more mayors and governors – in both political parties – are asking across the country, which is the first real sign of a crack in the labor-electoral complex that has traditionally stymied reform. And they are asking that out of sheer necessity.

Since 2010, 38 local governments have filed for bankruptcy, largely because of out-of-control pension costs. And more are now flirting with it. But even if struggling cities escape bankruptcy, the funds that must be diverted to cover skyrocketing pension bills are funds that cannot be invested in the future, which can set off a downward spiral that, as New York found out in the '70s, is deeply painful and takes decades to recover from.

As a country, we must confront this crisis before that happens. It is one of the biggest threats facing cities – because it is forcing government into a fiscal straight jacket that severely limits its ability to provide an effective social safety net and to invest in the next generation.

The costs of today's benefits cannot be sustained for another generation – not without inflicting real harm on our citizens, on our children and our grandchildren.

Now, labor leaders are understandably determined to protect their members. That's their job, and we understand that. They've done it exceptionally well. But it's also the job of those in government and the public at large to protect our children, to protect the social safety net, and to protect future generations.

That's a fundamental principle of progressive politics, and we cannot afford to adhere to that principle on every issue except labor contracts. I think it's no secret that elected officials have a tendency to make decisions based on short-term political rewards, rather than long-term economic gains.

And let's face it: The future that most elected officials worry most about is their own. Winning election – or reelection – is the goal around which everything else revolves. But we cannot afford for our elected officials to put their own futures ahead of the next generation's, and to continue perpetuating a labor-electoral complex that is undermining our collective future.

We need them to look ahead and to address the needs of tomorrow instead of being prisoners to the labor contracts of yesterday.

## **WSJ: The 'Labor-Electoral Complex'**

*Bloomberg coins a phrase that deserves national currency*

New York Mayor Mike Bloomberg is on a valedictory tour as he prepares to leave office at the end of the month, and it's too bad he saved his best speech for last. The mayor isn't known as a phrase-maker, but after 12 years in the job he coined a term this week that deserves national currency—the "labor-electoral complex."

That's how he described the public union political machine that has ruined so many American cities. "We cannot afford for our elected officials to put their own futures ahead of the next generation's, and to continue perpetuating a labor-electoral complex that is undermining our collective future," the mayor told the New York Economic Club. Cities are dynamic and attractive places to live, but their future is jeopardized by "the explosion in the cost of pension and health-care benefits for municipal workers."

He knows this from hard experience. When he took office in 2001, New York City spent \$1.5 billion a year on pensions. Now it spends \$8.2 billion, nearly a 500% increase when inflation rose by only 35%. Add health-care costs, and benefit payments are swallowing an ever larger share of the city budget. That means there is less money for current services like education or public works.

Everybody knows this has to change, but Mr. Bloomberg nailed the main obstacle to reform with his reference to the "labor-electoral complex." This is the cozy relationship between public unions and politicians that dominates modern urban government. It is the new Tammany Hall.

Union cash helps elect politicians who then reward the unions with higher pay and benefits. The cycle repeats until taxes become destructive and spending is unaffordable. Exhibit A is Detroit. But some 38 local governments have filed for bankruptcy since 2010, "largely because of out-of-control pension costs," Mr. Bloomberg said.

New York City has escaped this political fate for 20 years, thanks to unusual circumstances. First Rudy Giuliani won amid a crisis of public order, and Mr. Bloomberg is rich enough to have won without needing union cash.

But the unions are getting revenge now having backed superliberal mayor-elect Bill de Blasio . He has endorsed the entire public union wish list, including backpay and undermining charter schools. He's struggling to find a schools chancellor because everyone knows Randi Weingarten of the American Federation of Teachers will really run the show.

Many in Mr. Bloomberg's audience this week wondered why the mayor didn't challenge this labor complex while he had the chance. His response is that he offered raises in return for pension reform three years ago, but the unions refused and figured they could wait him out. But that doesn't mean Mr. Bloomberg couldn't have done more in his early years in office, especially amid the recession and fiscal crisis after 9/11.

Mr. Bloomberg nonetheless claims that the many expired union contracts mean that he is leaving behind "political leverage. The next administration will have a once in a generation opportunity for comprehensive benefit reform." That's a direct challenge to Mr. de Blasio. We will see if he is a larger public figure than the labor-electoral complex that made him mayor.



# Federal Government Labor Policy

Excerpt from letter by President Franklin Delano Roosevelt:

*“All Government employees should realize that the process of collective bargaining, as usually understood, cannot be transplanted into the public service. It has its distinct and insurmountable limitations when applied to public personnel management. The very nature and purposes of Government make it impossible for administrative officials to represent fully or to bind the employer in mutual discussions with Government employee organizations. The employer is the whole people, who speak by means of laws enacted by their representatives in Congress.”*

## Federal Service Labor –Management Relations Statute

- Employees have the right to organize and collectively bargain over work conditions including work hours, grievance procedures, work assignments
- Prohibited from strikes, work stoppages, slowdowns, picketing, etc.
- Cannot bargain over wages, benefits, pensions, personnel decisions and managerial rights (prohibits bargaining on mission, budget, organization, number of employees or internal security)
- Fair share prohibited
- No automatic mandatory arbitration provision or injunctions in aid of arbitration for collective bargaining impasse
- Prior to 1983, pension was defined benefit plan with no Social Security. Since then, a hybrid system including a defined benefit annuity, Social Security and a 401(k)